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Post-Acute Care: Consolidating the Future of Healthcare

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PitchBook Dealmakers Column

The healthcare industry is in a period of transformation. Payers, providers and life sciences companies are coming together in new forms and structures to achieve the quality, efficiencies and cost reductions of operating in a more collaborative and integrated delivery model. Market forces are fundamentally changing the business of healthcare into an outcomes-based system that compensates organizations based on the effectiveness of a product or service. The post-acute care (PAC) sector has not been immune to the impact of convergence. This convergence has brought together all patient delivery subsectors within the PAC continuum to manage care in the most efficient and effective manner.

Why the focus on PAC now? With 8,000 baby-boomers turning 65 every day, life expectancies increasing and an aging nation consuming more healthcare, the answer is simple—the industry can't afford not to¹. The PAC continuum is designed to capture clinically complex care in the lowest cost setting. PAC has transformed from discrete subsectors (LTAC, SNF, IRF, AL/IL, Home Health and Hospice) into a coordinated continuum of care. The PAC industry is estimated to be a \$300 billion dollar industry². Given the cost of care within acute settings as opposed to PAC, PAC offers a significant drop in cost and creates an ability to offer optimized care in the right setting for a more affordable price. The industry is highly fragmented, making it a terrific opportunity for consolidation. Large players are buying all the delivery touch points so they can fully coordinate care along the continuum. The market is rewarding this consolidation with high valuations; YTD PAC players are performing better than the S&P 500 and general healthcare indices. Ultimate integration of the post-acute care sector is the future for population health management and will continue to grow and change as the overall healthcare delivery model transforms.

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1. U.S. Census Bureau, 2012 Population Estimates and 2012 National Projections

2. Post-Acute Care Sector Initiation, Deutsche Bank, March 2015

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